

# Understanding the Drivers of Policy Reforms in Africa: The influence of Neopatrimonialism on food policies in Malawi

Horace Phiri

Department of Agricultural and Applied Economics, Faculty of Development Studies, Lilongwe University of Agriculture and Natural Resources, Bunda Campus, P.O. Box 219, Lilongwe, Malawi

## Abstract

This empirical study used data from a 40 years period (1970-2010) to estimate the levels of neopatrimonialism in Malawi and test how it has affected policy-induced producer incentives. The three forms: systematic clientelism, power concentration index and control of corruption used to measure neopatrimonialism were all negatively related to producer support estimate. Suggesting that the manifestation of a patronage system creates policy-induced disincentives to production through worsening corruption, declining political willingness to improve agricultural incomes and crowding out of development expenditure due to a bloated civil service. This result reaffirms the notion that neopatrimonialism results in poor performance of economic sectors in sub Saharan Africa

**Keywords:** Malawi policies, neopatrimonialism, corruption, agriculture

## 1 Introduction

National food sufficiency has been the center of government agenda since the pre-independence famine in 1949 (Kumwenda & Phiri, 2010). However, in the last four decades self-sufficiency has remained a distant dream or attained through heavy public outlays through subsidy programs. The observation made by Phiri (2012) that producers respond to Producer Subsidy Equivalents (PSE) makes it reasonable to think that policies have failed to create incentives to stimulate sustainable growth in the maize sector. Neopatrimonialism has gained recognition as one of the key explanations as to why governments in sub Saharan Africa have pursued policies that have failed to achieve significant growth. The basic thrust of neopatrimonialism is that politics both caused Africa's economic stagnation and prohibited the state from adopting economic reforms and developing developmental institutions (Whitfield and Therkildsen, 2011) It is argued that the government essentially functions as a transfer pump of resources by political leaders to their respective clients in return for support (van Wyk, 2007).

A review of agricultural policy or policies in Malawi quickly exposes elements of neopatrimonialism in the three regimes (Banda, Muluzi and Mutharika) that ruled Malawi from 1964 to 2010. The policies pursued by Kamuzu Banda Malawi's first native president fostered a creation of the elite class of farmers "*Achikumbe*" (Cammack and kelsall, 2010). The "*Achikumbe*" consolidated customary land, leased it and joined the estate subsector. Government through its grain marketing board, Agricultural Development and Marketing Cooperation (ADMARC) taxed smallholder farmers through its pricing policies and used the income to promote estate farming (Mhone, 1992). Eventually the elite class constituted Banda's patronage that included parliamentarians, key government officials and certain members of the then ruling Malawi Congress Party (Cammack and kelsall, 2010).

The change to multiparty democracy in the early 1990s culminated into the election of Muluzi a self-acclaimed democrat but offered little respite (what does respite mean) in terms of reducing patronage politics. In fact more than anything else what really changed was the form not the practice. Coming in at a time when Structural Adjustment Programs (SAPs) were in full swing Muluzi, quickly abolished the elitist policies pursued by Banda and opened up the production of high value crops to smallholder farmers that were initially restricted through the Special Crops Act (Kumwenda and Phiri, 2010). However, a two track political economic programme was observed in Malawi under his tenure (1994-2004). The first programme was grounded in formal policy documents and aimed at achieving poverty reduction goals outlined in the country's medium term strategy Malawi Poverty Reduction Strategy (MPRS). The second followed a different path – a client oriented political logic that aimed at keeping the regime in power after 1999 and 2004 general elections Cammack and kelsall,

2010).

Corruption in the civil service which was minimal during Banda era (Anders, 2006) was in its dominant form during Muluzi era. Misappropriation around procurement was the main source of illicit funding. Corruption or “*Katangale*” in local language was fueled by the decline in civil service salaries. World Bank (1994) estimated the government salaries in 1992 were equivalent to half of those in 1982 measured at constant prices. The election of Bingu Mutharika a self styled technocrat helped the country achieve high levels of economic growth and maize self-sufficiency. Largely due to the implementation of the Farm Input Subsidy Program (FISP) that provided fertilizer and seed to smallholder farmers at reduced prices (MoDPC, 2011). Unfortunately, it is the evaluation of this very same program, which brought success that points to existence of a neopatrimonialism. The way procurement and transportation contracts were awarded provided evidence of rent seeking activities (Holden and Tostensen, 2011). Since its launch in 2005, the program expenditures have exceeded the initial budget by between 41-105 percent (Dorward and Chirwa, 2011). The over expenditures could be attributed to the fluctuations in the prices of fertilizer but this explanation is not sufficient (Chinsinga, 2011). World Bank et al., (2011), estimates that the cost could have been inflated by as much as 50% due to favoring of certain contractors rather than applying competitive pricing. The favored contractors played a key role in bankrolling the May 2009 electoral campaign for Democratic Progressive Party (DPP) as a governing party.

It is therefore, reasonable at this point to assume that neopatrimonialism is at play in the country’s agricultural policy making arena. Although such is the case, quantitative research on the subject has been limited. The true extent and nature of neopatrimonialism has not been established and empirical tests on how it affects agricultural policy have not been conducted. This paper intends to add to the growing literature of political economy of agricultural policy in sub Saharan Africa by empirically testing the linkages between elements of patronage politics and support to agricultural sector in Malawi.

## 2 Methodology

Bratton and van de Walle’s (1997) identified three dimensions, concentration of power, systematic clientelism and corruption that allow the estimation of the degree of neopatrimonialism in a state and its development over time. Concentration of power“ analyzes the extent to which the president dominates the political setting. To assess the degree of domination, a power concentration index (PCI) is calculated as a ratio of the average tenure of the president to that of cabinet ministers. It is assumed that a longer tenure of the president relative to that of ministers represents a high informal concentration of power in the president. Systematic clientelism refers to the distribution of government positions in exchange for personal loyalty and support. This practice can be observed through analyzing the size and the structure of a country’s cabinet, a body that often acts as a focal point for awarding personal favors to the political elite (von soest, 2007). The tendency of cabinets to grow is “mirrored by an increase in the size of other national bodies. Thus, in addition to studying the growth of the cabinet, the size of the whole public administration and of state-owned enterprises can be analyzed van de Walle (2005). However, historical data on the size of civil service was not available for use in this study, as such only cabinet size was used to measure systematic clientelism. Corruption is the use of public office for private gain. The study used the World Bank’s Worldwide Governance Index (WGI) indicator “control of corruption“ (Kaufmann et al. 2009).

Data used in this analysis had a time element as it is made up of 41 annual observations from 1970 – 2010. The use of Ordinary Least Squares (OLS) regression on such data is considered in appropriate because of two main reasons. First, time series data often displays autocorrelation or serial correlation of the disturbance across periods (Greene, 2008). This results in inefficient estimates and inference based on least squares is spurious. Secondly, time series processes are sometimes non-stationary. If a time series is stationary, its mean, variance and auto covariance (at various lags) remain the same no matter at what point we measure them; that is, they are time invariant (Gujarat, 2004). Non-stationary data violates the assumptions of classical regression.

In order to counter these shortfalls that are inherent in OLS regression we adopted the Newey –West regression and Prais–Winsten regression. The Newey – West (1987) variance estimator produces consistent estimates when there is autocorrelation in addition to possible heteroskedasticity. The coefficient estimates are derived as those in OLS regression.

$$\hat{\beta}_{OLS} = (X'X)^{-1}X'y$$

That is the coefficients are simply those of OLS regression. For no autocorrelation, the variance estimates are calculated using the white formulation:

$$X'\hat{\Omega}X = X'\hat{\Omega}_0X = \frac{n}{n-k} \sum_i \hat{e}_i^2 x_i'x_i$$

In this case,  $\hat{e}_i = y_i - x_i\hat{\beta}_{OLS}$ , where  $x_i$  is the  $i$ th row of the  $X$  matrix,  $n$  is the number of observations and  $k$  is the number of predictors in the model, including constant if there is one. If autocorrelation exists up to lag ( $m$ ),  $m > 0$ , the variance estimates are calculated using the Newey – West (1987) formulation

$$X'\hat{\Omega}X = X'\hat{\Omega}_0X + \frac{n}{n-k} \sum_{l=1}^m \left(1 - \frac{l}{m+1}\right) \sum_{t=l+1}^n \hat{e}_t \hat{e}_{t-l} (x_t'x_{t-l} + x_{t-l}'x_t)$$

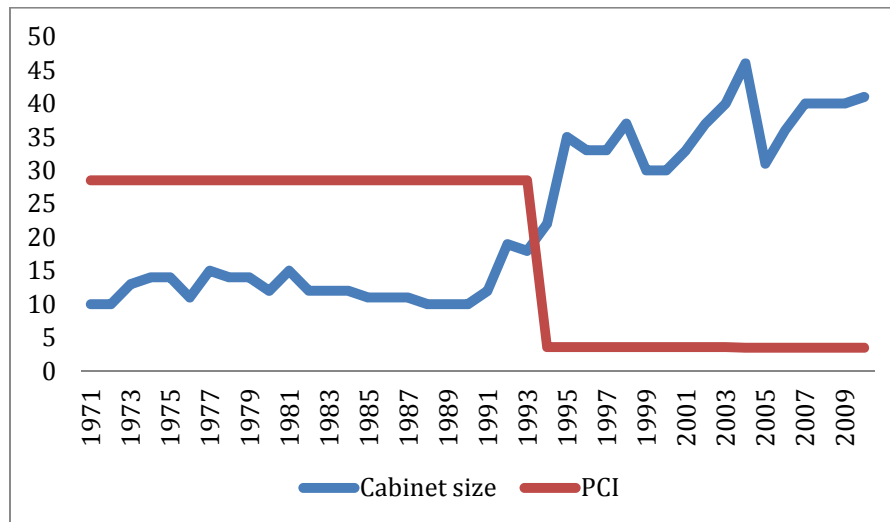
Where  $x_l$  is the row of the  $X$  matrix observed at time  $l$ .

On the other hand Prais–Winsten (PW) estimation where serial correlation of type AR(1) was observed but without the presence of heteroskedasticity. PW is a modification of Cochrane–Orcutt estimation in the sense that it does not lose the first observation and leads to more efficiency as a result. Three dependent variables were identified: PSE, Nominal Rate of Protection (NRP) and Budgetary Transfers. The aim was to test the effects of neopatrimonialism on producer support (PSE) but also to identify the category of policies affected by a specific variable. Variables that had an effect on NRP were considered to influence trade policies why those that affected direct transfers were classified as those with impact on input policies.

### 3 Neopatrimonialism trends in Malawi

#### Systematic clientelism

In the past four decades (1970-2010) the size of cabinet ranged between 10 and 46 ministers. Malawi's first president, Kamuzu Banda maintained a relatively small cabinet compared to other presidents. He maintained a lean cabinet that was appointed purely on loyalty and had little to offer in terms of policy advice. Appointments into the Civil Service were primarily based on merit (Cammack and Kelsall, 2010). In the post multiparty era, the dynamics of employment in the service changed. Ministerial and other positions were now traded for support. Several former Ministers have resigned from the ruling parties after being fired from cabinet. Likewise, some serving cabinet Ministers dumped their political parties to join the incumbent's party to maintain their jobs. Other positions such as appointment to diplomatic positions have become patronage based since Muluzi era. Clientelism worsened under the Mutharika administration as he attempted to centralize political power with appointment of people and design of policies based on ethnic calculus. The drastic increase in levels of clientelism in the 1990s can most likely be explained by the country's switch to multiparty democracy in the 1993. Adoption of multiparty democracy meant that the life presidency was abolished and sitting presidents were allowed to serve a maximum of two five-year terms. This gave rise to the need for personal loyalty and support to ensure re-election.



**Figure 0.1: Size of cabinet and Power concentration Index in Malawi: 1970-2010**

*Source: Malawi Parliament Hansards*

#### Concentration of Power

The index was highest during Kamuzu's life presidency (28.52) while little variation has been observed between Muluzi and Mutharika regimes. Kamuzu Banda maintained an effective strategy for controlling ministers psychologically through annual cabinet dissolution. The ministers and their families were expected to move from government houses and return their official cars at the end of each year. The President would call the politicians back one by one and appoint his new ministers (Cammack and Kelsall, 2010). Overall, the high PCI indicate the prevalence of "big man politics" (Young, 2004) where the president or "big man", stays in power for a long time, sometimes until the end of his life. The "big men" frequently rotate the political elite in order to prevent any potential opponent from developing his/her own power base, and to extend the clientelist network (Bratton and van de Walle 1997; Snyder and Mahoney 1999). The end result has been long-term dominance of the incumbent. For instance, Kamuzu Banda (1964-1994) was for a long time considered one with unmatched capabilities and the only man capable of ruling Malawi and was given life long presidency. Similarly, towards the end of the mandatory two terms, Bakili Muluzi (1994-2004) was touted as the only capable individual and significant attempts were made to remove the limit on the number of presidential terms. The Mutharika administration (2004-2012) was characterized by estranged vice presidents that had little access to resources to gain political mileage.

#### Corruption

The World Bank's Worldwide Governance indicator "control for corruption (CC)" was used. The variable ranges from 0 (lowest) to 100 (highest). In general efforts to control corruption have been weak. Significant advances were made in at the turn of the century in 2000 with CC estimated at 41 but by 2010 it had declined to 28 (Figure 6-2). However, the calculation of the indicator started in 1995 as such corruption control between 1970 and 1994 were assumed to be constant and estimated at 35 based on qualitative information. The social, political and administrative factors tend to provide an environment that is conducive to corrupt practices in Malawi. In addition to high-level systemic corruption, petty corrupt practices and extortion by public officials in the procurement of goods and services tend to be widespread in sectors of public service in urban areas and at local level (Hussein, 2005).

#### Neopatrimonialism and producer support

Regression analysis results presented in Table 4.1 show that systematic clientelism had significant effect on the PSE indicating that as incumbents seek to transfer rent through positions in the public service support to maize producers reduces. The reduction in the value of transfers most probably emanates from the reallocation of funds from development programs to cater for an expanding public service as observed by a negative coefficient in the budgetary transfer equation. The insignificant coefficient in the trade protection equation indicates that

systematic clientelism has no influence on the trade policy pursued by government most probably because of absence of direct expenditure or revenue from maize trade that might be adjusted to finance expanding outlays brought about by a blotted public service.

The PCI was also found to have a similar effect on PSE. Incumbents “Big men” with a lower power concentration turn to the masses in the agricultural sector for support. The most obvious means to solicit support is the introduction of welfare enhancing programs such as subsidies. However, the negative and significant coefficient in the NRP model indicates that the incumbents also consolidate power by transferring resources to urban consumers. This result is consistent with the “urban bias” theory (Bates, 1981; Lipton, 1977) which suggests a class like divide between rural and urban areas. African states are more likely to appease the most vocal and better-organized urban population by ensuring low food prices at the expense of rural producers. Despite the structural reforms in the 1980s and early 1990s that aimed at tilting the domestic terms of trade towards producers the notion of urban bias still shapes the views of planners and policy makers (Maxwell, 1999). Control of corruption was negatively related to PSE and NRP. The effect of corruption on trade is multifaceted; Bardhan (2006) identifies two effects evasion and extortion. Evasion is where custom officials are bribed to do what they are not supposed to do allowing firms to avoid formal trade barriers. On the other hand, extortion is where corrupt customs officials request bribes to do what they are paid to do which is to clear goods. Extortion is a barrier to trade as it increases transactional costs while evasion encourages trade. The results in the NRP model suggest that evasion effect is at play in Malawi. Since maize is a protected commodity that requires special permits to export, traders are compelled to pay bribes to engage in informal exports. A laxity in corruption control encourages corruption within regulatory agencies and promotes trade that would otherwise be impossible due to the maize export controls.

**Table 0.1: Neopatrimonialism Model results**

Variables	Unit PSE (Prais-winsten)	NRP (Newey-west)	Budgetary Transfers (Newey-west)
Constant	-50.5575 (51.9287)	-84.36154*** (8.2399)	13.2933*** (3.9598)
Cabinet size	-5.0464*** (1.4587)	-0.0831 (0.2335)	-0.1665 (0.1009)
PCI	-5.5543*** (1.3355)	-0.4081** (0.1580)	-0.2182** (0.0837)
Corruption	-98.9593** (41.1255)	-18.1985*** (5.5032)	-1.6049 (2.4320)
Ssratio	0.0188 (0.2792)	0.0239 (0.0271)	-0.0377*** (0.0125)
Incomeratio	-3.0199 (2.3695)	0.0262 (0.2383)	-0.0551 (0.0667)
Prob > F	0.0002	0.0000	0.0012

Significance level: \*\*\* 1%, \*\* 5% and \* 10%

## Conclusion

In this study, neopatrimonialism was measured using three indicators Control of corruption (CC), systematic clientelism (SC) and power concentration index (PCI). The results obtained in this study show that levels and form of neopatrimonialism has varied over time. Effort to control corruption gained pace in between 1990 and 2000 with the formation of graft busting body: Anti-Corruption Bureau (ACB). However, at the turn of the century, the fight against corruption has been characterized by non-objectivity where strict monitoring and control is maintain in other spheres while turning a blind eye to corrupt practices by party loyalists. This has resulted in a reduced CC score. PCI also declined in the period under review largely because of the shift from

life presidency to limited terms. In contrast, systematic clientelism has increased largely due to the need to create loyalty by offering clients public sector jobs.

The analysis further shows that all forms of neopatrimonialism significantly reduce the transfers to the agricultural sector measured by the PSE. This entails that manifestation of patronage politics creates policy-induced disincentives to production in the maize sector through worsening corruption, political willingness to improve performance of agricultural sector and reduced expenditure in the sector due to expanding public sector. This result re affirms the notion that neopatrimonialism results in poor performance of economic sectors.

## 4 References

- Bardhan P. (2006). "The Economist's Approach to the Problem of Corruption", *World Development*, 34 (2), 341-348.
- Bates, R. (1981) *Markets and States in Tropical Africa*. University of California Press, Berkeley, CA.
- Bratton, Michael, and Nicolas van de Walle (1997), *Democratic Experiments in Africa. Regime Transitions in Comparative Perspective*, Cambridge: Cambridge University Press.
- Cammack, D. and T. Kelsall (2010) *Developmental Patrimonialism? The case of Malawi*. APPP Working Paper, Institute of Development Studies at the University of Sussex, Brighton BN1 9RE, UK
- Chinsinga B. (2011) *The Political Economy of Agricultural Policy Processes in Malawi: A Case Study of the Fertilizer Subsidy Programme*. Futures Agriculture Working Paper No. 039
- Dorward, A. and E. Chirwa (2011). *The Malawi Agricultural Input Subsidy Programme: 2005-6 to 2008-9*, *International Journal of Agricultural Sustainability*
- Green, W. (2008). *Econometric Analysis*. Prentice Hall. Sixth edition.
- Gujarat, D. (2004). *Basic Econometrics*, Forth Edition, The McGraw-Hill Companies
- Hussein, Mustafa (2005) 'Combating Corruption in Malawi: An Assessment of the Enforcing Mechanisms', *African Security Review*, 14(4).
- Holden, S., and Tostensen, A., (2011) *Appraisal of the Malawi Medium Term Plan for the Farm Inputs Subsidy Programme (FISP-MTP) (2011-2016)*: Lilongwe, Malawi
- Kaufmann, Daniel, Aart Kraay, and Massimo Mastruzzi (2009), *Governance Matters VIII: Aggregate and Individual Governance Indicators for 1996-2008*, Policy Research Working Paper, 4978, Washington, DC: World Bank.
- Kumwenda, I. and H. Phiri (2010). "Government interventions in fertilizer market in Malawi: from 1994 – 2009" Consultant report to International Food Policy Research Institute by Agriculture and Natural Resources Management Consortium, ANARMAC, Lilongwe, Malawi.
- Lipton, M. (1977) *Why Poor People Stay Poor*. Harvard University Press, Cambridge, MA.
- Maxwell D., (1999). *The Political Economy of Urban Food Security in Sub-Saharan Africa* *World Development* Vol. 27, No. 11, pp. 1939-1953, Elsevier Science Ltd
- Mhone, Guy C.Z. (ed.) (1992) *Malawi at the Crossroads: The Post-Colonial Political Economy*. Harare: SAPES Books.
- Ministry of Development Planning and Cooperation – MoDPC (2011) *Economic Report 2011*, Lilongwe, Malawi.
- Newey, Whitney K and Kenneth D. West (1987). A Simple, Positive Semi-definite, Heteroskedasticity and Autocorrelation Consistent Covariance Matrix, *Econometrica*, 1987, vol. 55, issue 3, pages 703-08
- Phiri H. (2012). *The Political Economy of Food Policies in Malawi: A Case of maize policies* Ph.D. (agriculture and resource economics) thesis. Faculty of development studies, Lilongwe University of Agriculture and Natural Resources, Lilongwe, Malawi
- van de Walle, Nicolas (2005): *The Donors and the State in Africa: How Much Has Changed?*, In: Engel, Ulf; Olsen, Gorm Rye, (eds.), *The African Exception*. London: Ashgate, pp. 69-84.
- vanWyk, J., (2007) "Political leaders in Africa: Presidents, Patrons or Profiteers?" *Occasional Paper Series Vol. 2 No.1* Africa Centre for Conflict Resolution and Development: Johannesburg, South Africa
- von Sorest, Christian (2007): *How Does Neopatrimonialism Affect the African State? The Case of Tax Collection in Zambia*, in: *Journal of Modern African Studies*, 45 (4), pp. 621-645.
- Whitefield, L., and Therikildsen, O., (2011) "What Drives States to Support the Development of Productive Sector? Strategies Ruling Elites Pursue for Political Survival and the Policy Implications", *DIIS Working Paper 2011: 15*: Danish Institute for International Studies, Copenhagen, Denmark
- World Bank, Ministry of Finance, Ministry of Agriculture and Food Security and Office of the Director of Public Procurement and Central Internal Audit (2011) *Malawi: Poverty Reduction Support Credit, Fertilizer Procurement Review of the 2010/11 Farm Input Subsidy Programme (FISP)*, December 2010-February 2011